



Course correction

IT has been said at length before, but bears repeating: the 27th Amendment was a monumental mistake. The same has now been underlined by international human rights group Amnesty International, which has described it in its new research report as the “crescendo of a concerted and sustained attack on the independence of the judiciary, right to fair trial, and the rule of law in Pakistan”. That is a sobering assessment, and it should give any well-meaning citizen some pause. Passed and enacted in a rush this past November, the 27th Amendment was touted as an unavoidable step in enabling the evolution of various institutions of the state. Despite sustained criticism and calls for a considered debate on its various clauses, it was hastened through parliament via force of majority. But hindsight is 20/20, as they say. Perhaps the time is now more suitable for those who voted for the legislation to start coming to terms with its implications.

A review cannot be put off indefinitely. As Amnesty once again highlighted, and as many concerned citizens had previously pointed out, the law has decisively undermined the judiciary and its institutional independence. The legitimacy of the new and powerful Federal Constitutional Court has been undercut by the fact that the executive was directly involved in its formation and in appointing its judges. Meanwhile, the Supreme Court of Pakistan has been stripped of its original and advisory jurisdiction in constitutional matters, relegating it to an appellate body for non-constitutional cases. Judges can now be removed on vague grounds like ‘inefficiency’, and shuffled around almost on a whim. This cannot be sustained. The Amnesty report makes note of the fact that these changes were enforced after several complaints from senior judges regarding interference in judicial affairs. This context will not be ignored or glossed over forever, even if it is inconvenient today to address it.

The human rights watchdog has also raised concern over the decision to grant certain individuals blanket immunity for their lifetime, and warned that “the wide-ranging nature of the immunity violates the fundamental principle of equality before the law enshrined in Article 26 of the International Covenant on Civil and Political Rights.” Additionally, a number of technical objections have been raised to the immunity arrangement, which must be reviewed by the legislature, given their implications for Pakistan’s standing in the comity of nations. The report explicitly warns that the 27th Amendment is violative of “international human rights law, particularly undermining the independence of the judiciary, right to fair trial and justice and accountability”. While Pakistan is a sovereign state entitled to legislate as it pleases, parliament must consider if it is worth inviting international opprobrium over a piece of legislation that has demonstrably so little to do with the public interest.

Flawed pricing regime

THE government’s reported plan of containing the gas sector circular debt of Rs3tr by further raising the petroleum development levy, rather than increasing gas prices as determined by Ogra, underscores the entrenched policy distortions in our energy pricing regime. The gas debt has already grown much larger than the power sector debt. The regulator is recommending an increase of up to 7pc in gas tariffs to generate an additional Rs118 per unit to meet an estimated requirement of Rs886bn in revenue for the two gas utilities in FY26. Under the law, the federal government was required to notify revised consumer prices from Jan 1. Yet, during a parliamentary hearing, the petroleum minister has ruled out an increase for at least the next six months. He did not deny reports that the government may further boost the petroleum levy by Rs5 per litre on petrol and diesel, already taxed at up to Rs82 per litre, to subsidise industrial and urban residential gas consumers. This socialisation of the gas sector’s inefficiencies across the entire population is neither reform nor a sound economic decision. It is, in fact, rooted in politics.

Gas utilities point out that tech-driven interventions have helped to reduce system losses and ‘quell’ the flow of fresh debt. In his testimony, the minister claimed that structural reforms have stabilised the gas sector without the need for an immediate tariff hike. These claims may be real but are not enough to liquidate the circular debt, which the government now intends to resolve through an additional petroleum levy. That the authorities have now decided to use this levy to postpone difficult pricing decisions in the gas sector for fear of backlash from consumers underscores how politically vulnerable the current administration feels. The choice may help it delay an immediate political backlash but only at the cost of further entrenchment of energy pricing distortions. Similar choices made in the power domain in the past have had severe consequences for the viability of the sector, and imposed huge costs on consumers and the budget. The gas circular debt — like the power sector debt — is not simply a fiscal problem. It is the outcome of years of flawed and politically expedient policy choices. While the government may defer tough decisions for a short period, it cannot do so indefinitely.

Cricket looking up

PAKISTAN’S under-19 cricket team has momentum, and wins, under their belt, as they head into the ICC Under-19 World Cup later this month. A domineering tri-series victory in Zimbabwe, one of the co-hosts of the World Cup alongside Namibia, was the ideal preparation for the side, which is looking to end the country’s two-decade-long drought for the title. Pakistan won its second and last Under-19 World Cup title in 2006 and the captain of that side, Sarfaraz Ahmed, is now the team’s mentor. On the basis of recent performances, Pakistan seem genuine contenders. Their tri-series triumph came on the back of a stirring victory over arch-rivals India in the final of the Under-19 Asia Cup last month. Pakistan then gained more confidence by winning all their scheduled matches in Zimbabwe. Their round-robin matches against the hosts were washed out due to rain but they won on both occasions against Afghanistan before recording a commanding win over Zimbabwe in the final. Having bundled the hosts out for a paltry 158, opener Sameer Minhas blasted his way into the record books with the fastest century at this level.

Sameer, who struck a blistering ton against India in the Asia Cup final, brought up the milestone in 42 balls, breaking the record of India’s Vaibhav Suriyavanshi. He also struck a century against Zimbabwe in the rained-out game earlier. His explosive starts will be key for the side. Fellow top-order batter Usman Khan has also been in good form, with contributions coming from every player in the side. The Pakistan Cricket Board deserves appreciation for an effort that has helped unearth and develop talents who will hopefully go on to successfully represent the senior team one day. So far, things are looking up and the expectation is that Pakistan, who face England, Scotland and Zimbabwe in Group ‘C’ at the World Cup, will continue on their upward trajectory.

OPINION



BY ISHRAT HUSAIN

Remittances: boon or bane?

Absorbing new labour force entrants domestically is increasingly difficult.

CONCERNS are often expressed about the expanding role of workers’ remittances in the economy. They typically focus on the perceived risks of brain drain, excessive consumption, import leakage, exchange-rate overvaluation and the possibility of Dutch Disease. In contrast, empirical evidence shows that remittances contribute substantially to socioeconomic development. A stable source of external inflows, they help build foreign-exchange buffers, reduce dependence on external borrowing, support financial sector deepening and enhance macroeconomic stability by easing pressure on the current account. They play a critical role in poverty reduction, narrowing income inequalities and strengthening human capital by financing education, healthcare and housing. In times of economic stress, they are vital lifelines for households.

There’s also evidence of skill upgrading among those preparing to migrate and among returnees, resulting in brain gain effects. Studies show that overseas job opportunities have encouraged the Philippines to train more nurses and India to produce more computer scientists, actually increasing the stock of skilled workers at home.

Misconceptions about remittances largely stem from the way workers’ remittances are treated statistically and methodologically under WTO’s General Agreement on Trade in Services and IMF’s Balance of Payments (BOP) framework. GATS classifies services according to the service provider’s nationality. Under Mode 4, a service supplier is considered foreign, irrespective of the duration of stay abroad. But the IMF defines workers’ services on a residency basis. If an individual lives abroad for over a year, he/she is treated as the host country’s resident, and transactions between residents are excluded from exports of services in the current account, being recorded, instead, under secondary income.

BOP treatment also creates inconsistencies with System of National Accounts, under which gross national savings consist of: a) gross domestic savings — household, corporate and public-sector savings; b) net transfers from abroad. In FY2025, Pakistan’s gross national savings amounted to 14.1 per cent of GDP, and gross domestic savings only 6.3pc. With net foreign savings positive, reflected in a current-account surplus of 0.5pc of GDP, a substantial share of domestic investment was effectively financed by savings of overseas Pakistanis. Recognising this gap, a UN technical subgroup on the movement of persons is working

to integrate BOP services accounts with remittances for a more complete representation of workers’ services.

Conceptually, Pakistan’s labour market can be segmented in the same way as goods markets — one serving international and the other domestic demand. If labour services exports are added to other service exports using the GATS framework, our total export of goods and services would amount to around \$79 billion rather than \$41bn under the IMF’s definition, without altering the overall current-account balance.

It is useful to examine the main concerns regarding remittances more closely. First, the issue of brain drain. Pakistan adds nearly two million new entrants to its labour force each year; around half migrate. Available data indicates that only 2.6pc of the 832,000 migrants are highly qualified and 5.3pc highly skilled. Despite this outflow, unemployment and underemployment continue to rise. Graduate unemployment is estimated to range between 23 and 33pc. If labour supply were genuinely shrinking, real wages should have increased. Instead, studies over the past decade show a decline in real wages across all categories, with the sharpest among degree holders. Notably, during Covid, when migration slowed, real wages showed upward movement.

Given Pakistan’s large youth population, absorbing new labour force entrants domestically is increasingly difficult under current growth trends. In contrast, ageing economies such as Japan, Korea and Germany face rising dependency ratios and labour shortages. So, it’s natural for labour-surplus countries to supply manpower to labour-deficient economies. Our policy response should focus on negotiating country-specific labour agreements and aligning training programmes with overseas demand. This requires investment in technical, vocational, language, and lifestyle skills besides work discipline and ethics. International accreditation from recognised institutions such as City & Guilds should be pursued and professionals encouraged to qualify through international exams in engineering, medicine, IT, accountancy and architecture.

Second, evidence doesn’t support concerns that remittance-receiving households indulge in excessive consumption and stimulate imports. Surveys and field observations show that recipients invest in better education for their children, improved nutrition, immunisation, and healthcare; switch to cleaner cooking fuels; upgrade

housing conditions; and improve access to electricity and potable water. These changes lead to better social indicators, reduced poverty, and narrower income differentials. Districts such as Jhelum, Chakwal, and Rawalpindi — major sources of overseas workers — now rank high in literacy, school enrolment, and poverty reduction. Food expenditure accounts for about 40pc of total household spending, while a significant share of remittances goes towards housing improvements, farmland, real estate and consumer durables. Many returnees from GCC countries use their capital and skills to establish small businesses, contributing to domestic economic activity.

Third, remittances are often blamed for exchange-rate appreciation through the Dutch Disease effect. However, Dutch Disease arises from unearned rents or windfall gains from natural resources rather than incomes earned through labour services’ export. Evidence doesn’t support this concern. In FY2025, remittances increased by 22pc, yet the exchange rate was stable and foreign-exchange reserves increased. Similarly, Bangladesh has not experienced a sustained loss of export competitiveness despite rising remittance inflows. Exchange-rate appreciation occurs primarily when reserve accumulation is not sterilised, leading to the monetary base’s expansion.

Finally, studies indicate that remittances do not have a significant or sustained impact on domestic inflation. The outcome depends largely on country-specific economic structures. Gains in small-scale agriculture and livestock can expand supply and offset demand pressures. As households rise above the poverty line, increased consumption is directed primarily at domestically produced goods — meat, milk, poultry, fruit, vegetables — rather than imports.

In Pakistan, import demand is driven mainly by structural and policy-induced constraints rather than remittance inflows. These include deindustrialisation; failure to develop base industries that supply raw materials to downstream sectors; inefficient allocation of natural gas towards domestic consumption instead of industrial use; excessive protection through high tariffs; inability to save nearly \$10bn annually by substituting imports of food and cotton; overregulation and excessive taxation; and underinvestment in agricultural research and development. ■

The writer is a former governor of the State Bank of Pakistan.



BY KHURRAM HUSAIN

Solving Pakistan

THE same question keeps coming up: why don’t you write about the solutions? Let me give two answers here.

The first answer is that, in all honesty, the kind with hand on heart, nobody is really interested in solutions in Pakistan. They all just want to hear what they believe to be true. If you don’t tell them what they want to hear, they tune out. To some extent, this is the result of an algorithmically generated reality that more and more people are living in. Algorithms are very keenly tuned to what the user wants to see, hear, read or who the user wishes to interact with. They then serve this up and the user grows increasingly accustomed to receiving processed thoughts in easily digestible form that most closely approximate the user’s own preferences.

My experience is that when you tell people things they don’t want to hear, they either tune out, start arguing, interrupt with a stream-of-consciousness-style monologue of their own diagnosis and solutions or, especially seen among the young on social media, react viscerally, usually with hate, abuse, mockery and derision. This is the cognitive impairment of an algorithmically conditioned mind. People are losing the ability to engage with views different from their own.

Helpfully though, there are still enough people who don’t suffer from this syndrome that a meaningful conversation can be carried out. To those people I say my second thing: what problem are you trying to solve?

Whenever talking about solutions, it is critical to first have clarity on the problem, because the obvious question is, ‘solution to what?’ When it comes to the economy, for example, are we asking for a solution to the economy’s inability to earn foreign exchange in quantities sufficient to pay for its import requirements? Or are we asking for solutions to the inability to raise revenues in quantities sufficient to pay for the expenditure requirements of the state, without running up unsustainable levels of debt? Speaking of debt, is our envisioned solution to pay this debt down or to raise the state’s capacity to carry the burden of servicing this debt? Are we talking about how to pump growth, or how to bring about a kind of

growth that is sustainable, and that lifts people out of poverty, creates opportunities for the young and, overall, secures the livelihoods of the citizenry?

I could go on but you get the point hopefully. You cannot answer ‘all of the above’, because then the solution becomes a philosophical one: we must learn to be better human beings first. We must root our power in the legitimate aspirations of the people before embarking on any transformative enterprise on a broad front. We must learn to respect the opposition, build consensus the hard way through structured dialogue, build institutions that discharge their obligations with vigour and rigour (pardon the flourish there, please) and, very importantly, that stay within the bounds

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they are designed for. For broad-based solutions, it is better to have a broad-based mandate.

In the absence of this, the ambition to solve Pakistan’s problems should remain confined to a narrow pragmatic corridor. And this would be my advice to those running the country: focus on a few things that can be done, where success carries the promise of cascading change, where known metrics for success can be developed.

There are two areas in particular where the focus can lie. Both are technology-based, and both promise cascading change across the economy as success rolls on. One is digital payments and the second is renewable energy, especially solar plus battery solutions.

Both of these areas have the potential to free the country from a long-standing problem that has been hobbling growth for decades. Digital payments can help document the economy. Solar can help free us from rising energy costs and the circular debt. In both areas, known performance metrics can easily be developed.

Here is an interesting statistic regarding digital payments: 90 per cent of retail transactions are being made via digital channels now, but these account for only 33pc of the total value of retail transactions. No doubt, there is rapid and growing adoption of digital payment channels. For example, in the first quarter of this year, close to Rs55 trillion were cleared via digital channels compared to Rs10tr via cheques and paper instruments. This shows growing adoption of digital payment channels, but most of the economy still remains stuck in old-fashioned cash.

The prime minister is trying to advance this process with a steering committee and some announcements about making Islamabad cashless. But the real challenge is at the retail level, and encouraging adoption there means making digital transfers faster, using QR codes, perhaps. Digital has displaced paper clearing, but has not made much of a dent in cash-based settlements. Once two-thirds of all retail transactions, by value, are being processed via digital channels, we will potentially have a different economy, with enough potential to unlock the next generation of business opportunities. Until then, it will still be a ‘general store’ model of the economy that we’ll be stuck with.

It is the same with solar plus battery. The first thing to do here is to ignore the bureaucrats’ entreaties to put the power system’s ‘fixed costs at the centre of their policy effort. Something along the lines of what was done with PIA needs to be done with the circular debt and the dead, white elephants we are carrying in the power sector. Phase them out and look to solar plus battery to power the future instead. Once freed from the grid, people’s entrepreneurial energies will take over, because with new forms of business enterprises that become possible with flexible energy generation and distribution systems that solar makes possible, the sky is the limit. Focus on the possible, and focus on those areas that carry a transformative potential. The rest works itself out. ■

The writer is a business and economy journalist.
khurram.husain@gmail.com
X: @khurramhusain